

MINUTES OF THE ANNUAL MEETING
OF THE HHA WILIKINA APARTMENTS PROJECT, INC.,
HELD AT THEIR OFFICE AT 677 QUEEN STREET,
IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII
ON THURSDAY, JULY 21, 2005

The Board of Directors of the HHA Wilikina Apartments Project, Inc., met for their annual meeting at their office at 677 Queen Street, in the City and County of Honolulu, State of Hawaii, on Thursday, July 21, 2005 at 9:00 a.m.

The meeting was called to order by Vice Chairman Travis O. Thompson and, on roll call, those present and absent were as follows:

ROLL CALL

PRESENT: Director Charles King
 Designee Rick Manayan
 Designee Henry Oliva
 Director Linda Smith
 Director Travis O. Thompson

 Executive Director Stephanie Aveiro

EXCUSED: Director Francis L. Jung
 Director Charles Sted

Staff Present: Sandra Ching, Deputy Attorney General
 Pamela Dodson, Executive Assistant
 Cliff Laboy, Special Assistant
 Joel Leong, Special Assistant
 Marilyn Labayog, Property Management Branch Chief
 Michael Hee, Contracts Administration Section Chief
 Cynthia Okubo, Property Management Coordinator
 Janice Takahashi, Chief Planner
 Patti Miyamoto, Compliance Officer
 Darren Ueki, Finance Branch Manager
 Barbara Arashiro, Resident Services Section Administrator
 Tom Otake, Acting Housing Development Section Chief
 Stan Fujimoto, Housing Development Specialist
 Chris Sadayasu, Housing Development Specialist
 Edmund Morimoto, Construction Management Section Chief
 Wayne Nakamoto, Project Coordinator
 Shirley Higa, Secretary to the Board

Others: Mitchell Tamayori, Ushijima Architect
 Steve Freitas, Darrell Lim and Co., Inc.
 Bill Woods

Vice Chairman Travis Thompson declared a quorum present.

QUORUM

Executive Director Stephanie Aveiro introduced the following people who are involved in the HHA Wilikina Apartments Project:

Wayne Nakamoto, Project Coordinator;
Michael Hee, Contracts Administration Section Chief;

UPDATE
ON
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TO THE
HHA
WILIKINA
APARTMENTS

Cliff Laboy, Special Assistant;
Cynthia Okubo, Contract Monitor;
Mitchell Tamayori, Ushijima Architects, Inc. and
Steve Freitas, Darrell Lim and Co.

Project Coordinator Wayne Nakamoto gave a brief historical background on the HHA Wilikina Apartments. The low-income residential housing project consists of 79 one-bedroom and 40 two-bedroom apartments. The project was built approximately in 1977 and was purchased by the Hawaii Housing Authority in 1993. Extensive damage to the roof, leaks in the bathrooms and sinks, major cracks along the walls and siding of the building are among some of the repair work that is being planned.

Ushijima Architects, Inc. has been tasked to assess the damages caused by the age and use of the building. The work will be done in three phases:

- Phase I - Due diligence report on existing conditions, recommendations to repair, cost estimate;
- Phase II - Provide design documents in response to the due diligence report; and
- Phase III - Bidding of work to be in October or November 2005 and construction scheduled to begin February 2006.

Mr. Nakamoto stated that Phase I has been completed and in Phase II, the design documents are scheduled to be completed in October 2005.

Director King asked how many units are currently vacant to which Contract Monitor Cynthia Okubo answered that 23 units are being kept vacant for the renovation. There are 12 units per floor and it is intended to do two floors at a time.

Special Assistant Cliff Laboy added that work would begin with the two top floors of each building. As the work is completed, people will be allowed to move back in and the renovation work will continue by going down two more floors.

Ms. Aveiro commented that the project does have reserve accounts but the amount is insufficient to cover the entire cost. Ms. Okubo stated that there is approximately \$5.8 million in the reserve account. \$4.0 million is being planned to be expended on the repairs and keep \$1.8 million in the reserve account. Other ways of financing the renovation is being explored; total cost of the renovation is estimated to be \$6.3 million.

A member from the general public attending the meeting, Mr. Bill Woods, asked if there were two different budgets, operating and reserve accounts, then why would funds from the regular operating budget be used for repairs.

Contract Administrator Section Chief Michael Hee answered that there are two accounts of which one is the reserve account, which represents the annual excess amount of the operating expenses.

Mr. Woods stated that the budgets should then be researched as the operating budget should be only for operations and the agency may be borrowing money for funds that is already available in the reserve account.

Mr. Hee responded that the reserve account has funds set aside from the excess cash flow for unforeseen emergency situations should they occur. Should the agency borrow funds for the repair work, then it could use the excess cash flow of approximately \$300,000 - \$400,000 to repay the \$2.3 million debt.

Mr. Woods stated that the general operating funds already provides for ongoing maintenance and repair. It appears that there may be a small shortfall of \$500,000 for the repair work, which would make borrowing unnecessary if the project was properly managed.

Director Smith moved, seconded by Director King

That the minutes of the Annual Meeting of the HHA Wilikina Apartments Project, Inc. held on July 15, 2004 be approved as presented.

APPROVAL
OF MINUTES -
ANNUAL
MEETING -
07/15/2004

The motion was unanimously carried.

Designee Oliva moved, seconded by Director Smith

That Director Travis O. Thompson be nominated as
Chairperson.

ELECTION OF
OFFICERS-
ELECTION
OF
CHAIRPERSON

The motion was unanimously carried.

Director Smith moved, seconded by Director King

That Director Theodore E. Liu be nominated as
Vice Chairperson.

ELECTION OF
VICE
CHAIRPERSON

The motion was unanimously carried.

Director King stated that Director Jung had previously commented that due to prior commitments, continuing to serve as Secretary may be difficult. Director King then moved, seconded by Designee Oliva

ELECTION OF -
SECRETARY

That Director Linda Smith be nominated as Secretary.

The motion was unanimously carried.

Executive Director Stephanie Aveiro introduced Steve Freitas of Darrell Lim and Co. who had performed the audit.

Staff's recommendation was presented as follows:

That the Board of Directors accept the audited financial statements of the Wilikina Apartments Project for the fiscal year ending June 30, 2004.

ACCEPT
THE
AUDITED
FINANCIAL
STATE-
MENTS
OF THE
WILIKINA
APART-
MENTS
PROJECT
FOR
THE
FISCAL
YEAR

Bill Woods asked if the financial statements were presented at a previous Board meeting.

Chairman Thompson answered that the audit report was given prior to the meeting and is now being presented by the auditor.

ENDED
6/30/2004

Mr. Woods further asked if that was available to the public to which Chairman Thompson answered that materials sent to the Board are available to the public.

Mr. Woods stated that he had requested the agenda that morning and it was not provided to him. Therefore if the material was not accessible to the public, then he suggested that the Board not take action until a future meeting, as it did not have proper information available to the public. Mr. Woods further stated that everything on the agenda according to the Office of Information and Practices should be made available to the public if the Board takes action.

Chairman Thompson asked for an opinion by the Deputy Attorney General Sandra Ching who stated that she did not know the circumstances upon which Mr. Woods was asking for information.

Recording Secretary Shirley Higa answered that Mr. Woods had asked for the agenda and not the materials for the agenda.

Mr. Woods stated that he had asked for the agenda and what was going to be deliberated on and taken action on; however he was provided only the agenda. If there is any action, then the materials should be made available to the public when the action is taken.

Ms. Ching stated that Mr. Woods was provided an agenda and that the Board can continue with its meeting.

Mr. Woods then stated that for another Board meeting to be held that morning, he had asked for the agenda and was not provided with one. He believed that he made himself very clear that he wanted things related to the agenda.

Chairman Thompson asked that the meeting continue with the discussion of the audit.

Contracts Administration Section Chief Michael Hee explained that Darrell Lim and Company performed the audit in accordance with Government Auditing Standards. Mr. Hee noted one correction in item D, which should have the second sentence deleted in the first paragraph since it is not a requirement under the Housing Assistance Payment (HAP) contract to transfer residual receipts to a reserve account.

A net rental income of \$92,640 reflected an increase of 12.2% due to decreased vacancies and improvement in the management and marketing of the units. The corrective action will be implemented by transferring excess cash from the operating account to the residual receipts account for renovation to the project.

Director King moved, seconded by Designee Manayan

That staff's recommendation be approved.

In response to Chairman Thompson's comments about the audit being presented for approval one year later, Mr. Freitas stated that there were problems obtaining back-up information. Most of the work was completed by August 2004. However, there were problems that were encountered such as copies of contracts and Board meeting minutes, which were necessary to complete the review process as accurately as possible.

Chairman Thompson suggested that in the future, should these problems occur, that the Board be made aware of them in order that the audit is done in a timely manner.

Director Smith commented that the audit period ends on June 30 and the Board has its annual meeting the following month which may explain the long time lapse. Mr. Hee agreed, however, staff would have asked for a Special Meeting, but that the past year was unusual and staff was not able to present the audit until the Annual Meeting.

Director Smith then asked for a clarification when staff uses the terminology of "excess cash flow." Mr. Hee stated that the terminology was taken from the U.S. Department of Housing and Urban Development (HUD) Section 8 program which the project participates in. HUD has a formula for the Surplus Cash Calculation which is done at the end of the operating year. A form that HUD has calculates the cash that is in the operating account as of June 30 and then determines how much is for the monthly mortgage amount plus all other operating costs.

The remaining funds are designated as the Surplus Cash, which is then transferred to the Residual Reserve Account. This ensures that the managing agent does not expend the Surplus Cash without the approval by HCDCH. As these funds total more than \$100,000 which is the maximum that is insured by a financial institution, the excess is placed in an investment account.

Mr. Woods stated that it was his understanding that the motion on the table is to accept the audit as presented. However, Mr. Hee had requested that a line be deleted from Item D. Mr. Woods commented that the motion should reflect that change.

Chairman Thompson stated that Item D is a fact in staff's recommendation that has since been modified but that the audit report is a separate item and has not been changed.

Mr. Woods asked if the recommendation was part of the notice to the Board to which Chairman Thompson answered in the affirmative.

Designee Manayan asked what percentage of the operating expenses is used for reserves. Mr. Hee stated that it is any cash that remains after the fiscal year's operations. A formula for replacement is set by HUD, which is not a percentage but a flat amount.

Designee Manayan further asked about the net of allowance of doubtful accounts of \$167,000 for the tenant accounts receivables listed as \$22,617 on page 10 of the audit report. Mr. Freitas answered that although the difference is not reflected as a separate line item, the accounts receivable amount at the end of the year is compared to the accounts that may not be realistically collectible. An amount is then determined and adjusted to the allowance on an annual basis as a realistic amount that can be collected.

There being no further discussion or questions, the motion was unanimously carried.

Chairman Thompson declared the meeting adjourned at 9:30 a.m.

ADJOURNMENT

LINDA SMITH
Secretary

Approved: